

AC 120 (Rev.3/04)

TO: Director of the U.S. Patent and Trademark Office P.O. Box 1450 Alexandria, VA 22313-1450	Mail Stop 8	REPORT ON THE FILING OR DETERMINATION OF AN ACTION REGARDING A PATENT OR TRADEMARK
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In Compliance with 35 U.S.C. § 290 and/or 15 U.S.C. § 1116 you are hereby advised
that a court action has been filed in the U.S. District Court San Diego on the following Patents or Trademarks:

DOCKET NO.	DATE FILED	U.S. DISTRICT COURT
2	02/14/2007	United States District Court, Southern District of California
PLAINTIFF	DEFENDANT	
Synthes (U.S.A.)	G.M. Dos Reis Jr. Ind. Com. De Equip. Medico	
PATENT OR TRADEMARK NO.	DATE OF PATENT OR TRADEMARK	HOLDER OF PATENT OR TRADEMARK
17,128,744	10/31/2006	Synthes
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4		
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In the above-entitled case, the following patent(s)/trademark(s) have been included:

DATE INCLUDED		
PATENT OR TRADEMARK NO.	DATE OF PATENT OR TRADEMARK	HOLDER OF PATENT OR TRADEMARK
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In the above-entitled case, the following decision has been rendered or judgment issued:

DECISION/JUDGMENT	FILED FEB 14 2007 CLERK, U.S. DISTRICT COURT SOUTHERN DISTRICT OF CALIFORNIA DEPUTY BY	
CLERK	(BY) DEPUTY CLERK 6. S. Baird	DATE 3/15/2010

Copy 1 - Upon initiation of action, mail this copy to Director

Copy 3 - Upon termination of action, mail this copy to Director

Copy 2 - Upon filing document adding patent(s), mail this copy to Director

Copy 4 - Case file copy

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

SYNTHERS (U.S.A.), a Pennsylvania partnership, } Civil No. 07-CV-309-L(AJB)
Plaintiff, } **ORDER GRANTING**
v. } **DEFENDANT'S MOTION TO STAY**
G.M. DOS REIS JR. IND. COM. DE EQUIP. MEDICO A/K/A GMREIS, a Brazilian corporation, } **ACTION PENDING PATENT**
Defendant. } **REEXAMINATION**

In this patent infringement action, Defendant G.M. dos Reis Jr. Ind. Com. de Equip. Mexico a/k/a GMReis (“GMReis”) filed a motion to stay pending inter partes reexamination by the United States Patent and Trademark Office (“PTO”). Plaintiff Synthes (U.S.A.) (“Synthes”) opposed the motion. For the reasons which follow, GMReis’ motion to stay is **GRANTED**.

Synthes is a global medical device company which develops, produces, and markets instruments and implants, including bone plates, for the surgical fixation, correction, and regeneration of the human skeleton. Synthes is the assignee of United States Patent No. 7,128,744 (“Patent”), which relates to locking bone plates used to surgically secure fractured bones. GMReis is a Brazilian corporation which designs, manufactures, and markets orthopedic and neurological medical devices, including bone plates.

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1 Synthes filed a complaint in this court alleging GMReis is infringing the Patent. GMReis
 2 filed a counterclaim requesting declaratory judgment of non-infringement, invalidity and
 3 unenforceability. Synthes filed a separate, unrelated action in the Eastern District of
 4 Pennsylvania, case no. 03-0084 (“Pennsylvania Action”), against Smith & Nephew, Inc. (“Smith
 5 & Nephew”). Smith & Nephew requested, and was granted, an inter partes reexamination of the
 6 Patent, which is at issue in the Pennsylvania Action as well as in this action. Smith & Nephew
 7 questions the validity of each claim of the Patent based on prior art which was not disclosed to
 8 the PTO during the Patent application and examination process. The reexamination proceeding
 9 is currently pending before the PTO and the Pennsylvania Action was stayed pending its
 10 conclusion.

11 Because the reexamination proceeding commenced by Smith & Nephew involves the
 12 Patent which is at issue in this case, GMReis moves to stay this case pending the conclusion of
 13 the reexamination. Synthes opposes the stay arguing that the reexamination will not simplify the
 14 issues in dispute in this case and that it will be unduly prejudiced by the delay.

15 “Congress intended the reexamination process to provide an efficient and relatively
 16 inexpensive procedure for reviewing the validity of patents which would employ the PTO’s
 17 expertise.” *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426 (Fed. Cir. 1988). “Any third-party
 18 requester at any time may file a request for inter partes reexamination by the Office of a patent
 19 on the basis of any prior art . . .” 35 U.S.C. § 311(a). The focus of the reexamination is
 20 essentially the same as in the initial patent examination, “at which a preponderance of the
 21 evidence must show nonpatentability before the PTO may reject the claims of a patent
 22 application. The intent underlying reexamination is to ‘start over’ in the PTO with respect to the
 23 limited examination areas involved, and to *re-examine* the claims . . . as they would have been
 24 considered if they had been originally examined in light of all the prior art of record in the
 25 reexamination proceeding.” *Ethicon*, 849 F.2d at 1427 (internal quotation marks and citations
 26 omitted, emphasis in original). At the conclusion of the reexamination, the PTO publishes “a
 27 certificate canceling any claim of the patent finally determined to be unpatentable, confirming
 28 //

1 any claim of the patent determined to be patentable, and incorporating in the patent any proposed
 2 amended or new claim determined to be patentable.” 35 U.S.C. § 316(a).

3 “[L]itigation and reexamination are distinct proceedings, with distinct parties, purposes,
 4 procedures and outcomes.” *Ethicon*, 849 F.2d at 1427 (emphasis omitted). Accordingly, “[t]he
 5 court is not required to stay judicial resolution in view of the reexamination[.]” *Viskase Corp. v.*
 6 *Am. Nat'l Can Co.*, 261 F.3d 1316, 1328 (Fed. Cir. 2001). The stay provision for inter partes
 7 reexaminations does not expressly provide for an automatic stay of parallel district court
 8 proceedings. 35 U.S.C. § 318. However, “the statute in no way impacts the inherent powers of
 9 the court to control the litigation before it, and to grant a stay in the interests of justice when so
 10 required.” *Procter & Gamble Co. v. Kraft Foods Global, Inc.*, 549 F.3d 842, 848 (Fed. Cir.
 11 2008) (quoting with approval the district court finding). “Courts have inherent power to manage
 12 their dockets and stay proceedings, including the authority to order a stay pending conclusion of
 13 a PTO reexamination.” *Ethicon*, 849 F.2d at 1426-27 (internal citations omitted). “When
 14 considering whether to stay patent infringement litigation pending a reexamination of the patent
 15 in suit, courts generally examine three factors, including (1) whether a stay would unduly
 16 prejudice or present a clear tactical disadvantage to the non-moving party; (2) whether a stay
 17 will simplify the issues in question and trial of the case; and (3) whether discovery is complete
 18 and whether a trial date has been set.” *Equipements de Transformation IMAC v. Anheuser-*
 19 *Busch Co., Inc.*, 559 F. Supp. 2d 809, 815 (E.D. Mich. 2008) (internal quotation marks and
 20 citations omitted), modified on other grounds, 2008 WL 3852240 (E.D. Mich. 2008).

21 “[A] stay should ordinarily not be granted unless there is a substantial patentability issue
 22 raised in the inter partes reexamination proceeding.” *Procter & Gamble*, 549 F.3d at 849. In
 23 this case, Smith & Nephew challenged the validity of each of the 55 claims of the Patent. By
 24 granting the request for inter partes reexamination, the PTO necessarily found that “a substantial
 25 new question of patentability” was raised by the request. *See* 35 U.S.C. § 312(a) (*see also* Decl.
 26 of Matthew S. Jorgenson filed Aug. 17, 2009, Ex. A (Decision on Request for Inter Partes
 27 Reexamination) at 2). Moreover, in the November 5, 2009 Office Action in Inter Partes
 28 Reexamination, the PTO rejected each of the 55 claims. (Notice of New Evidence, filed Nov. 6,

1 2009, Ex. A (“Office Action”) at 4.) Although the Office Action does not constitute a final
 2 determination regarding Patent validity, *see 35 U.S.C. §§ 314 & 315*, it demonstrates that the
 3 reexamination raises substantial patentability issues.

4 A stay is appropriate when “the outcome of the reexamination would be likely to assist
 5 the court in determining patent validity and, if the claims are canceled in the reexamination,
 6 would eliminate the need to try the infringement issue.” *Slip Track Sys., Inc. v. Metal Life, Inc.*,
 7 159 F.3d 1337, 1341 (Fed. Cir. 1998). A PTO reexamination can provide a “simplification of
 8 litigation that might result from the cancellation, clarification or limitation of claims, and, even if
 9 the reexamination did not lead to claim amendment or cancellation, it could still provide
 10 valuable analysis to the district court, which it could consider in reaching its determination.”
 11 *Ethicon*, 849 F.2d at 1428 (internal citations omitted).

12 In the present case, the reexamination addresses the validity of all 55 claims of the only
 13 patent at issue. Furthermore, GMReis’ counterclaim relies on some of the same prior art which
 14 is the subject of the reexamination. (*Cf.* GMReis’ Corrected Answer and Counterclaims to
 15 Synthes’ Complaint at 6 & Office Action at 3-4 (both referencing Synthes 1997 Catalog and
 16 Update, Titanium LC-DCP Condylar Buttress Plate).) To proceed with the case during
 17 reexamination would needlessly duplicate the effort of the PTO and forego the benefit of its
 18 expertise and analysis. “One purpose of the reexamination procedure is to eliminate trial of [the
 19 patent validity] issue (when the claim is cancelled) or to facilitate trial of that issue by providing
 20 the district court with the expert view of the PTO (when a claim survives the reexamination
 21 proceeding).” *Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342 (Fed. Cir. 1983).

22 Synthes argues that the reexamination will not simplify the issue of infringement. It
 23 considers central to this case the issue whether GMReis infringed the Patent under 35 U.S.C.
 24 Section 271(a) by “using,” “offering to sell” and/or “importing,” when it brought its device from
 25 Brazil into the Untied States and displayed it at an international trade show.¹ (See Opp’n at 1, 8-

26
 27 ¹ GMReis does not ship to or sell its products in the United States because they are
 28 not approved by the Food and Drug Administration. Synthes acknowledges that GMReis’
 “conduct falls short of the traditional making and selling of infringing products in the U.S.”
 (Opp’n at 1.)

1 9.) Synthes argues that this legal issue is not yet well established in the law, and that resolving it
 2 would likely end the case by leading to settlement. In this regard, Synthes maintains that the
 3 validity issues pending in the reexamination proceeding will do nothing to simplify or resolve
 4 this legal issue. The court disagrees. If the PTO cancels the relevant Patent claims, the issue
 5 whether the Patent was infringed will be moot. Synthes concedes as much. (Opp'n at 9.) A stay
 6 is appropriate if cancellation of patent claims in the reexamination proceeding would eliminate
 7 the need to try the infringement issue. *Slip Track Sys.*, 159 F.3d at 1341. Moreover, as Synthes
 8 concedes, any such claim cancellation would also negate the need to litigate the counterclaims.
 9 (Opp'n at 10.) If the PTO reaffirms the Patent, the court will have the benefit of the PTO's
 10 analysis of the same prior art GMReis is relying on to challenge the Patent's validity.

11 Synthes next contends that a determination that the Patent is valid in whole or in part
 12 would not necessarily foreclose GMReis' further challenges to its validity or enforceability in
 13 this litigation. The court is mindful that a final determination after reexamination that any or all
 14 of the Patent claims are valid would not estop anyone except Smith & Nephew from raising the
 15 same validity challenges in court. *See* 35 U.S.C. § 315(c). It could therefore potentially be
 16 possible for GMReis to continue to litigate validity issues even if Smith & Nephew's efforts to
 17 invalidate the Patent in reexamination are ultimately unsuccessful. Regardless of the outcome of
 18 the reexamination, however, the court will have the benefit of the PTO's expertise, analysis of
 19 the Patent claims, and evaluation of the relevant prior art. *See Ethicon*, 849 F.2d at 1428; *see also* *Slip Track Sys.*, 159 F.3d at 1341; *Gould*, 705 F.2d at 1342. Accordingly, Synthes'
 21 arguments that the reexamination will not simplify the issues in this case are rejected.

22 The stay also is not precluded by the stage of the litigation. Although this case was filed
 23 in February 2007, the only discovery and briefing, including briefing on appeal, has been with
 24 respect to the personal jurisdiction issue. Discovery, *Markman* hearing and trial dates have not
 25 yet been set. The early stage of this litigation weighs in favor of granting a stay.

26 Synthes complains that the motion to stay is just the latest form of GMReis' dilatory
 27 conduct in this case. The court disagrees. Although much time has been consumed in this case
 28 with jurisdictional discovery and personal jurisdiction briefing, this is understandable given that

1 this is international litigation. The court does not see the conduct of either party in this case so
 2 far as dilatory.

3 Synthes further argues that it will be unduly prejudiced by the stay because damages are
 4 not an adequate remedy in this case. This argument is based on the premise that Synthes and
 5 GMReis are “direct competitors” and that GMReis’ continued display of its products at trade
 6 shows in the United States is causing Synthes “marketplace damage.” This argument is rejected
 7 because Synthes does not offer any evidence to support it. (See Opp’n at 12-14.) Furthermore,
 8 it appears to be contradicted by the admission that GMReis’ “conduct falls short of the
 9 traditional making and selling of infringing products in the U.S.” (*Id.* at 1.)

10 Synthes next maintains that there is risk that key evidence will be lost during the stay. It
 11 argues that it may not be able to secure the testimony of certain GMReis’ employees, who may
 12 not be reachable if they leave GMReis, and that documentary evidence may be lost. (Opp’n at
 13 11-12.) Synthes’ argument that it would not be able to take discovery from former GMReis
 14 employees is not supported by any citation to legal authority or evidence, and is therefore
 15 rejected. (See *id.*) Furthermore, the argument is undercut by the admission that “a relatively
 16 small amount” of discovery is outstanding. (Opp’n at 17.)

17 Last, Synthes argues that it will be unduly prejudiced because this case “has never been
 18 about the recovery of money damages” but about injunctive relief. (Opp’n at 13.) It contends
 19 that the stay will unduly delay such relief. This argument implies that Synthes requires a speedy
 20 injunctive remedy; however, it rings hollow because in the three years since it had filed this case,
 21 Synthes has not requested a preliminary injunction. Regardless, its right to injunctive relief,
 22 whether preliminary or permanent, depends on the merits of the infringement claim. As
 23 discussed above, this issue could be mooted if the Patent claims are cancelled in reexamination.
 24 Although an inter partes reexamination proceeding can be lengthy, *see, e.g., Fresenius USA,*
Inc. v. Baxter Int’l, Inc., 582 F.3d 1288, 1305-06 (Fed. Cir. 2009) (Newman, J., concurring),
 25 they, including any appeals to the Board of Patent Appeals and Interferences, are conducted
 26 “with special dispatch” within the PTO. 35 U.S.C. § 314(c). Even if GMReis had not moved
 27 for a stay, before ordering any injunctive relief to Synthes, the court would have to address
 28

1 GMReis' invalidity and unenforceability claims, which would result in some delay. As
2 discussed above, the delay would be caused by the court having to consider many of the same
3 issues as the PTO in reexamination.

4 Based on the foregoing, GMReis' motion to stay is **GRANTED**. It is hereby
5 **ORDERED** as follows:

- 6 1. All proceedings in this action are **STAYED** until ordered otherwise.
- 7 2. This case is **TEMPORARILY CLOSED**. Either party may file an ex parte
8 application to reopen the case. Any such application shall be filed no later than ten (10) calendar
9 days after the reexamination certificate is issued as provided in 35 U.S.C. Section 316(a) and
10 must include a copy of the certificate.
- 11 3. During the stay each party shall preserve any and all records and other evidence which
12 may be relevant to this case.

13

14 **IT IS SO ORDERED.**

15

16 DATED: February 22, 2010

17 
18 M. James Lorenz
United States District Court Judge

19 COPY TO:

20 HON. ANTHONY J. BATTAGLIA
UNITED STATES MAGISTRATE JUDGE

21 ALL PARTIES/COUNSEL

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